

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 EB-11 CIEP-02 TRSE-00 STR-08 OMB-01

CEA-02 SAJ-01 NIC-01 DRC-01 /147 W

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R 151808Z MAY 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2549

INFO USMISSION EC BRUSSELS

USMISSION BERLIN

AMEMBASSY WARSAW

AMEMBASSY MOSCOW

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

C O N F I D E N T I A L SECTION 01 OF 02 BONN 07824

E.O. 11652: GDS

TAGS: PFOR, ETRD

SUBJECT: STATUS OF FRG BILATERAL ECONOMIC

NEGOTIATIONS WITH HUNGARY AND CZECHOSLOVAKIA

REF: A. BONN 6857;

1, SUMMARY. THE FRG RECENTLY CONCLUDED A SUCCESSFUL
ROUND OF TALKS WITH HUNGARY OVER THE ESTABLISHMENT
OF A JOINT ECONOMIC COMMISSION AND EXPECTS FINAL
AGREEMENT ON THE TEXT BY MIDSUMMER IN SPITE OF A
HUNGARIAN REQUEST FOR A CLAUSE ON MFN TREATMENT TO
BE INCLUDED IN THE AGREEMENT. PREPARATIONS WITHIN THE
FRG FOREIGN OFFICE ARE UNDERWAY FOR UPCOMING TALKS
WITH CZECHOSLOVAKIA ON ESTABLISHING A JOINT ECONOMIC
COMMISSION

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END SUMMARY.

2. THE FRG AND HUNGARY RECENTLY CONCLUDED IN BONN A ROUND OF NEGOTIATION OVER THE ESTABLISHMENT OF A JOINT FRG/HUNGARIAN MIXED ECONOMIC COMMISSION. THE HUNGARIAN DELEGATION WAS LED BY PETER KOEVARY OF THE HUNGARIAN FOREIGN TRADE MINISTRY. OUR FRG FOREIGN OFFICE CONTACTS WERE SURPRISED AT PROGRESS MADE IN THE TALKS. THESE OFFICIALS ARE CERTAIN THAT THE HUNGARIANS' UNEASINESS OVER CREATING THE APPEARANCE AMONG THEIR EASTERN EUROPEAN COLLEAGUES OF MOVING TOO QUICKLY AND TOO EASILY TOWARD AGREEMENT WITH THE FRG WAS THE ONLY FACTOR THAT PREVENTED INITIALLING AN AGREEMENT DURING THE VISIT. THEY BELIEVE THE HUNGARIANS PREFER TO LET THE CZECHOSLOVAKIAN DELEGATION HAVE A CHANCE TO CONCLUDE THEIR TALKS WITH THE FRG FIRST SINCE THE CZECHS STARTED EARLIER. IN ADDITION, THE HUNGARIANS WANT TO GO THROUGH THE MOTIONS OF CONSULTING WITH THEIR COMECON PARTNERS, PARTICULARLY THE GDR BEFORE SIGNING.

3. THE AGREEMENT AS DRAFTED USES THE USSR/FRG JOINT COMMISSION ARRANGEMENT AS A MODEL WITH A FEW MINOR EXCEPTIONS, ONE BEING THE HUNGARIAN DESIRE TO CREATE A SECRETARIAT FOR THE COMMISSION (IN ADDITION TO WORKING AND SPECIALTY GROUPS; SEE REFTEL A). THE SECRETARIAT PROPOSAL WILL PROBABLY BE AGREED TO IN AN EXCHANGE OF LETTERS AT THE FRG'S REQUEST.

4. AS EXPECTED THE HUNGARIANS REJECTED INCLUSION OF THE STANDARD BERLIN CLAUSE BUT THIS IS CONSIDERED A MERE PRO FORMA REJECTION WITH ITS FINAL INCLUSION IN THE AGREEMENT CONSIDERED A CERTAINTY. THERE IS ONE SUBSTANTIVE POINT OF DISAGREEMENT ALTHOUGH IT TOO IS EXPECTED TO PROVIDE NO BARRIER TO AGREEMENT. THE

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 07824

HUNGARIANS ARE PRESSING FOR A CLAUSE EXTENDING MFN TREATMENT. THE EXISTING FRG-HUNGARIAN TRADE AGREEMENT, WHICH EXPIRES IN DECEMBER 1974 DOES NOT CONTAIN AN MFN CLAUSE AS, AT THE TIME OF ITS SIGNING, HUNGARY WAS NOT A GATT MEMBER. THE FRG TOLD THE HUNGARIANS THAT WITH EC ASSUMPTION OF RESPONSIBILITY IN THE TRADE FIELD, IT WAS IMPOSSIBLE FOR THEM TO ACCEDE TO THIS REQUEST FOR AN MFN CLAUSE. HOWEVER, THE FOREIGN OFFICE OFFICIALS ARE CONVINCED THAT COMPROMISE LANGUAGE PROMISING THAT THE HUNGARIANS WOULD RECEIVE NO WORSE TRADE TREATMENT THAN PREVIOUSLY COULD BE INCLUDED. THE OFFICIALS ADMIT SOMEWHAT LAMELY THAT THIS MIGHT DO DAMAGE TO THE EC AUTHORITY BUT DEFEND THEIR ACTIONS BY NOTING THE BRITISH AND FRENCH WILL PROBABLY AGREE TO SIMILAR LANGUAGE IN THEIR AGREEMENT.

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5. THE FRG FOREIGN OFFICE IS PREPARING FOR UPCOMING NEGOTIATIONS WITH PRAGUE WITH THE SAME OPTIMISTIC ATTITUDE. THE OFFICIALS TELL US THAT THE EASTERN EUROPEAN RETICENCE TO PUSH FORWARD WITH NEGOTIATIONS WITH THE FRG, APPARENT OVER THE PAST FEW MONTHS, SEEMS TO HAVE DISAPPEARED.

HILLENBRAND

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